CAPAHA BANK
"A Better Brand of Banking!"®
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March 14, 2006

Jennifer Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket Number OP-1248

VIA EMAIL: regs.comments@federalreserve.gov

Dear Sir or Madam:

This letter is in response to the proposed guidance regarding concentration restrictions on Commercial Real Estate lending in the banking industry. As responsible financial service providers, it is up to us to assess the needs of our communities and provide the products and services that are needed most to ensure that our local communities grow and thrive. In many markets Commercial Real Estate (CRE) lending may not play a large role in fulfilling that commitment, but in many areas such as ours the demand for CRE loans is substantial and should not be restricted by a measure already under regulation: capital levels.

Any additional requirements that are applied arbitrarily to banks, rather than assessing them individually based on their unique circumstances, could lead to unintended policy shifts that may do more harm than good. Currently, banks are examined based on actual risk factors within their portfolios, and to impose restrictions using any other measurement tool would be inappropriate. As an example, the difference in risk levels between loans for raw land and commercial construction is significant. That both types of loans would apply toward an arbitrary threshold based on capital levels is not fitting.

If the Agencies feel it necessary to impose restrictions, at a minimum the following types of loans should be excluded: multifamily loans, pre-sold residential construction and construction/permanent financing with either firm takeouts or established cash flows that provide sufficient debt service coverage. Regardless, the Agencies should not require a financial institution to increase its capital level just because the market(s) in which they operate have a strong demand for sound CRE loans. Any requirement for an institution to hold extra capital should be imposed through the existing risk based capital rules and not by this proposed guidance.

We appreciate the opportunity to comment on the concentration restrictions on CRE lending. Please feel free to contact us directly at 573-331-7100 should you wish to discuss this further.

Sincerely,

CAPAHA BANK

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| /s/ John R. Abercrombie | /s/ Danny R. Essner | /s/ Jennifer S. Hendrickson |
| John R. Abercrombie<br>President & CEO | Danny R. Essner<br>EVP & Senior Lender | Jennifer S. Hendrickson<br>Vice President & CFO |